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AZ CORP COMMISSION DOCKET CONTROL

February 20, 2015

Docket Control Arizona Corporation Commission 1200 West Washington Street Phoenix, AZ 85007

ORIGINAL

Re: Docket No. G-01551A-13-0327; Decision No. 74780

Decision No. 74780 requires Southwest Gas (Company) to revise its Rates and Regulations webpages to provide additional content for its customers regarding revenue decoupling and how the calculation works. Additionally, the Company is required to publish on its website 10-year averages for normal Heating Degree Days (HDD) used in the calculation of the Energy Efficiency Enabling Provision (EEP) Weather Adjustment.

The Company has made the following changes to comply with the order:

- 1. Links to information on decoupling and the EEP are on the Arizona Rates and Regulations homepage (see Attachment 1 and Attachment 2).
- 2. The Frequently Asked Questions page has been updated to include questions on the EEP (see Attachment 3).
- 3. The description of decoupling and the EEP on the Arizona Rates and Regulations webpage has been updated (see Attachment 4).
- 4. Information on the EEP Weather Adjustment calculation, including a graphical depiction of the calculation, has been added to the Arizona Rates and Regulations webpage (see Attachment 5).
- 5. The 10-year average HDD information has been published on the Arizona Rates and Regulations webpage (see Attachment 6).

These changes can be found by visiting: http://www.swgas.com/tariffs/aztariff/decoupling/.

If you have any questions or comments regarding the attached, please do not hesitate to contact me at 602-395-4058.

Respectfully submitted,

Arizona Corporation Commission

DOCKETED

FEB 2 0 2015

Matthew D. Derr

Regulatory Manager, Arizona

DOCKETED BY



Cc: Richard Gayer Steve Olea, ACC Bob Gray, ACC

Attachment 1

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Decoupling and Energy Efficiency Enabling Provision

Arizona General Rate Case

Arizona General Rate Case Bill Insert - January 2012

Arizona Gas Tariff No. 7

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You may download the entire Arizona Gas Tariff:

Entire Arizona Gas Tariff

To learn how gas rates are set click here.

NOTES ABOUT VIEWING THE TARIFFS:

Tariff Schedules are provided as PDF (Portable Document Format) files. The Adobe® Acrobat® Reader plug-in (version 6.0 or higher) is needed to view the documents and can be downloaded for free. Versions are available for most platforms.

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Decoupling and Energy Efficiency Enabling Provision

Frequently Asked Questions

Description of Decoupling

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10-Year Normal HDD Information

Frequently Asked Questions

Q. Temperatures have been warm, why isn't my bill as low as I thought it would be?

A. The cost of natural gas constitutes the largest portion of your natural gas bill. Southwest Gas does not make money on the cost of natural gas purchased for our customers. These costs are passed onto customers and are adjusted monthly based on a 12-month rolling average, doing so helps minimize the large swings in the cost of natural gas. With relatively constant usage from one year to the next your bill may be higher or lower due to changes in the cost of natural gas.

Q. Why do I have an EEP Weather Adjustment on my bill?

A. The EEP Weather Adjustment and EEP Annual Adjustment used to be included in the Usage Charge line item on your bill. Southwest Gas separated these two line items to provide more transparency on your bills.

Q. What makes up the EEP Annual Adjustment?

A. The EEP Annual Adjustment recovers or refunds differences between Southwest Gas' Arizona Corporation Commission (ACC or Commission) authorized non-gas revenue and its actual revenue. The EEP Annual Adjustment ensures that Southwest Gas recovers only the revenue authorized by the Commission, no more and no less.

Q. What is the company's authorized revenue?

A. The revenue authorized by the Commission is the sum of all the costs associated with providing safe and reliable natural gas service to our customers. This amount is collected through the basic service charge and the delivery charge.

Q. Why does Southwest Gas need the EEP Annual Adjustment?

A. The EEP Annual Adjustment helps align the interests of Southwest Gas and its customers. The company currently has a volumetric rate whereby it recovers both gas costs and non-gas costs (or delivery charges) based upon how much gas it sells. Since the cost of providing service is recovered primarily through a volumetric rate, and approximately 99% of the company's costs are fixed regardless of customer consumption, the Commission approved the EEP to financially protect both customers and the company. The EEP enables Southwest Gas to help its customers save money by using gas more efficiently and saving on the cost of gas, while at the same time allowing the Company to recover the fixed costs of providing gas service that have been approved by the Commission. For energy saving tips to help lower the amount of gas you use see www.swgasliving.com.

Q. What makes up the EEP Weather Adjustment?

A. The EEP Weather Adjustment provides stability for customer bills by providing a real time adjustment when actual weather from November to April differs from the average weather used to calculate rates during this time period. The EEP Weather Adjustment is designed to adjust customer bills when weather is either warmer or colder than normal, to protect customers from overpaying the delivery charge when it is colder than normal and to allow the company to recover its fixed costs of providing service when it is warmer than normal. The adjustments are unique to each customer's weather sensitive consumption patterns – so each customer's adjustment may vary and will simply adjust the bill to an amount that reflects normal weather conditions. The mechanism is symmetrical as it makes upward adjustments when it is warmer than normal and downward adjustments when it is colder than normal. The effect of the mechanism is to minimize volatility in customer's bills during the winter months and protect them from overpaying when weather is colder than normal.

Q. Where can I find more information on the EEP Annual Adjustment?

A. The EEP Annual Adjustment is discussed on Sheets 94 through 96 of the Energy Efficiency Enabling Provision of Southwest Gas' Arizona Gas Tariff and can be found at

http://www.swgas.com/tariffs/aztariff/special/energy_efficiency_provision.pdf.

Q. Where can I find more information on the EEP Weather Adjustment?

A. The EEP Weather Adjustment is discussed on Sheets 92 through 94 of Southwest Gas' Arizona Gas Tariff and can be found at http://www.swgas.com/tariffs/aztariff/special/energy_efficiency_provision.pdf.

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Decoupling and Energy Efficiency Enabling Provision

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10-Year Normal HDD Information

Description of Decoupling

What is decoupling?

Decoupling is a rate design methodology that separates a utility's fixed cost recovery from its sales. Decoupled utilities collect revenues according to a predetermined revenue requirement, or revenue per customer, established by the Arizona Corporation Commission (ACC or the Commission).

With decoupling, the ACC establishes a fixed revenue per customer and adjusts the rate per therm to ensure that Southwest Gas never retains more or less revenue than what the ACC approved in its last rate case.

Southwest Gas' decoupling mechanism (also referred to as the Energy Efficiency Enabling Provision or EEP) has two components:

- A weather component which stabilizes customer bills by providing a "real time" adjustment when actual weather during the winter months of November through April differs from the average weather used to calculate rates during this time period.
- 2. An annual adjustment that adjusts revenues to reflect any difference between Southwest Gas' authorized revenues and actual revenues. The annual adjustment ensures that Southwest Gas recovers no more than its ACC authorized revenue, which means if customer usage results in the company over or under-collecting its authorized revenue, the EEP rate will adjust to bring revenues back to authorized levels.



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Frequently Asked Questions

Description of Decoupling

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Details of the EEP Weather Adjustment Calculation

What is the Energy Efficiency Enabling Provision (EEP) Weather Adjustment? The EEP Weather Adjustment accounts for differences between the actual temperatures and normal temperatures for each winter day in a customer's billing cycle. The EEP Weather Adjustment applies to consumption during the winter season months of November through April.

What factors would give me a positive or negative EEP Weather Adjustment on my bill?

When the actual temperatures are colder than normal, usage is typically higher and the delivery charge portion of the customer's bill (i.e. the cost of delivering gas) will be adjusted downward to reflect what the customer would have used under normal temperature conditions. When actual temperatures are warmer than normal, usage is typically lower and the delivery charge portion of the customer's bill will be adjusted upward to reflect what the customer would have used under normal temperature conditions. These adjustments help provide bill stability for customers and also financial protection to both the company and its customers by ensuring no party is paying or recovering more than what was authorized by the Commission.

How do you determine when weather is either warmer or colder than normal? Weather is quantified in Heating Degree Days (HDD), which is defined as the difference between 65 degrees Fahrenheit and the average daily temperature when the average daily temperature is below 65 degrees. When the average daily temperature is equal to or greater than 65 degrees, there are zero HDD. Click here for the 10-Year Normal HDD information.

How is the EEP Weather Adjustment calculated?

In order to determine the EEP Weather Adjustment and in an attempt to ensure that the adjustment is only reflective of changes in consumption due to colder or warmer weather, the Company compares the following three analyses and utilizes the lower of the three:

1. **Billing Cycle Analysis Volume Adjustment** – The billing cycle analysis uses the customer's current billing cycle HDD variance (defined below) and billing cycle use per HDD to determine weather-sensitive gas use and to calculate the billing cycle analysis volume adjustment. Depicted below is an illustration of the calculation.

Normal HDDs is the sum of the ten-year average HDDs for each day in the customer's billing cycle.

Actual HDDs is the sum of the actual HDDs for each day in the customer's billing cycle.

HDD variance is equal to Normal HDDs less the Actual HDDs.

Customer's Billing Cycle HDD Variance

26

(Normal HDDs less the Actual HDDs)

Billing Cycle Use per HDD

X 2.083333

((current monthly metered use – customer's billing cycle base load volume)/billing cycle actual HDDs)

Billing Cycle Analysis Volume Adjustment **5**4

Example:

Customer's Billing Cycle HDD Variance = 26

Actual HDD: 60 Normal HDD: 34

60 - 34 = 26

Billing Cycle Use Per HDD = 2.083333 Current Monthly Metered Use: 129

Billing Cycle Base Load Volume: 4
Actual HDD: 60

(129 - 4) = 2.083333

60

(Click on the image above to view a larger image size.)

2. Multi-Season Analysis Volume Adjustment – The multi-season analysis uses winter billing data from the previous 24 months to determine weather-sensitive gas use and to calculate the multi- season analysis volume adjustment. A linear regression is used to compare the customer's historical monthly metered use to the actual weather in each billing cycle to determine use per HDD. The multi-season analysis volume adjustment is calculated by multiplying the result of the linear regression by the billing cycle HDD variance for the customer's current billing cycle.

Month	Billing Cycle Actual HDDs	Monthly Metered Use	Current Month Actual HODs - Average Actual HODs	Current Month Metered Use - Average Metered Use	(c) * (d)	(c) * (c)
	(a)	(b)	(c)	(d)	(e)	(f)
April-14	5.0	8	-139.3000	-30.5000	4248.6500	19404.49
March-14	9.0	11	-135.3000	-27.5000	3720.7500	18306.09
February-14	87.0	31	-57.3000	-7.5000	429.7500	3283.2900
January-14	243.0	60	98.7000	21.5000	2122.0500	9741.6900
December-13	222.0	45	77.7000	6.5000	505.0500	6037.2900
April-13	4.0	9	-140.3000	-29.5000	4138.8500	19684.0900
March-13	139.0	37	-5.3000	-1.5000	7.9500	28.0900
February-13	188.0	60	43.7000	21.5000	939.5500	1909.6900
January-13	463.0	101	318.7000	62.5000	19918.7500	101569.6900
December-12	83.0	23	-61.3000	-15.5000	950.1500	3757.6900
Average	144.3000	38.5000		Total	36981.5000	183722.1000
near Regression	Result = Total Colum	ın (e) / Total Column	(1)			0.2013
urrent Billing Cyc	le HDD Variance					20
uiti-Season Anah	vsis Volume Adlustri	ent = Linear Regress	ion Result x Billing Cycle HD	D Variance		

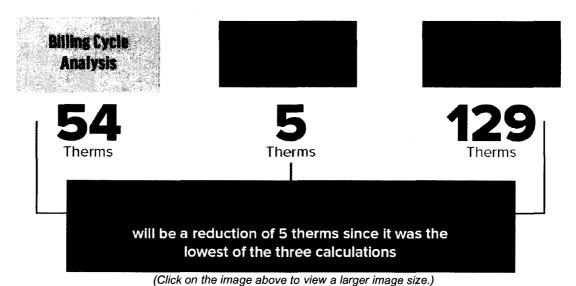
(Click on the image above to view a larger image size.)

3. **Current monthly metered usage** – For this example, the customer used 129 therms. This is the amount of gas used within the month.

How is the EEP Weather Adjustment applied to my bill?

The EEP weather adjustment is calculated by multiplying the applicable volume adjustment by the delivery charge component of the customer's commodity charge (which is the charge per unit of billed usage). The applicable volume adjustment is whichever of the three components identified above is the closest to zero.

From the example calculation above, the EEP Weather Adjustment applied would be:



Illustrated in the example above, the weather was colder than normal.

Attachment 6

Southwest Gas Corporation

Normal Heating Degree Days for the EEP Weather Adjustment

For Account Numbers Beginning with 34, 42, 44, 48 or 49

	Normal	
Date	HDD	
11/01	1.0	
11/02	1.0	
11/03	1.0	
11/04	1.0	
11/05	1.0	
11/06	1.5	
11/07	1.5	
11/08	1.5	
11/09	1.0	
11/10	1.5	
11/11	1.5	
11/12	1.5	
11/13	2.0	
11/14	2.0	
11/15	2.5	
11/16	2.5	
11/17	2.5	
11/18	2.0	
11/19	2.0	
11/20	1.0	
11/21	0.5	
11/22	2.5	
11/23	5.0	
11/24	4.5	
11/25	5.0	
11/26	5.0	
11/27	6.0	
11/28	6.5	
11/29	7.5	
11/30	7.0	
12/01	6.5	
12/02	6.5	
12/03	6.0	
12/04	8.0	
12/05	7.5	
12/06	7.5	
12/07	6.5	
12/08	8.0	
12/09	8.0	
12/10	9.5	
12/11	10.0	
12/12	10.0	
12/13	10.5	
12/14	10.5	
12/15	10.5	
12/16	11.0	
12/17	9.0	
12/18	10.0	
12/19	9.5	
12/20	9.0	
12/21	10.5	
12/22	12.0	
12/23	12.5	
12/24	11.5	
12/25	12.0	
12/25	12.5	
12/25	13.0	
	13.0	
12/28		
12/29 12/30	10.5 10.0	
12/31	10.0	

D-4-	Normal
Date	HDD
01/01	9.5
01/02	6.0
01/03	7.5
01/04	8.0
01/05	8.5
01/06	9.5
01/07	8.0
01/08	6.5
	•
01/09	6.5
01/10	6.0
01/11	6.0
01/12	8.0
01/13	8.5
01/14	8.0
01/15	9.0
01/16	9.0
01/17	10.0
01/17	
	9.0
01/19	8.5
01/20	9.0
01/21	9.5
01/22	8.0
01/23	7.0
01/24	7.0
01/25	7.0
01/26	9.0
01/27	9.5
01/28	9.0
01/29	9.0
01/30	9.5
01/31	10.5
02/01	9.0
02/02	7.5
02/03	7.0
02/04	6.5
02/05	6.0
02/06	7.0
02/07	6.0
02/08	8.0
02/09	8.0
02/10	6.5
02/11	7.0
02/12	6.0
02/13	6.5
02/14	7.0
02/15	6.5
02/15	5.5
	
02/17	4.0
02/18	4.0
02/19	5.5
02/20	6.0
02/21	5.0
02/22	5.0
02/23	6.5
02/24	5.5
02/25	5.0
02/26	3.5
02/27	4.0
02/28	6.0
03/01	6.0
03/02	5.5

	Normal
Date	HDD
03/03	6.0
03/04	4.5
03/05	3.0
03/06	2.5
03/07	3.5
03/08	4.0
03/09	2.5
03/10	3.0
03/11	4.0
03/12	3.0
03/13	2.0
03/14	2.0
03/15	2.0
03/16	3.0
03/17	3.0
03/18	2.0
03/19	3.0
03/20	1.5
03/21	1.0
03/22	1.0
03/23	1.0
03/24	1.0
03/25	0.5
03/26	0.5
03/27	0.5
03/28	1.0
03/29	0.5
03/30	0.5
03/31	0.0
04/01	0.5
04/02	1.0
04/03	0.5
04/04	0.5
04/05	0.5
04/06	1.5
04/07	0.0
04/08	0.5
04/09	0.5
04/10	1.0
04/11	1.5
04/12	0.0
04/13	0.0
04/14	0.0
04/15	0.5
04/16	1.0
04/17	0.0
04/18	0.0
04/19	0.0
04/20	0.0
04/21	1.0
04/22	1.0
04/23	0.5
04/24	0.0
04/25	0.0
04/26	0.0
04/27	0.0
04/28	0.0
04/29	0.0
04/30	0.0
54,50	0.0

Note: For actual heating degree day information please contact Southwest Gas Customer Service at (877) 860-6020

Southwest Gas Corporation Normal Heating Degree Days for the EEP Weather Adjustment

For Account Numbers Beginning with 32, 33, 36, 46 or 47

	FOI ALL
	Normal
Date	HDD
11/01	1.5
11/02	1.5
11/03	2.0
11/04	2.0
11/05	2.0
11/06	1.5
11/07	1.5
11/08	1.0
11/09	1.0
11/10	2.0
11/11	2.5
11/12	3.5
11/13	3.0
11/14	4.0
11/15	5.0
11/16	4.0
11/17	2.5
11/18	3.0
11/19	3.0
11/19	2.0
11/21	2.5
11/21	4.5
11/23	8.0
11/24	9.0
11/25 11/26	8.5
	8.0
11/27	9.5
11/28	11.0
11/29	11.5
11/30	11.0
12/01	10.0
12/02	9.0
12/03	10.0
12/04	12.0
12/05	10.5
12/06	10.5
12/07	9.5
12/08	12.0
12/09	12.5
12/10	11.5
12/11	13.5
12/12	13.0
12/13	13.0
12/14	13.5
12/15	14.5
12/16	13.5
12/17	11.5
12/18	14.5
12/19	13.5
12/20	12.0
12/21	13.5
12/22	15.0
12/23	15.5
12/24	15.0
12/25	16.5
12/26	17.0
12/27	17.5
12/28	17.5
12/29	13.5
12/30	13.5
40/04	40-

12/31

12.5

_	Normal
Date	HDD
01/01	12.0
01/02	10.5
01/03	9.0
01/04	12.0
01/05	12.5
01/06	12.0
01/07	11.0
01/08	9.0
01/09	10.0
01/10	10.0
01/11	9.5
01/12	11.5
01/13	12.5
01/14	11.5
01/15	13.0
01/16	13.0
01/17	13.0
01/18	
	12.5
01/19	11.5
01/20	12.5
01/21	13.0
01/22	13.0
01/23	13.0
01/24	12.0
01/25	11.5
01/26	12.0
01/27	12.0
01/28	14.0
01/29	13.5
01/30	14.5
01/31	14.5
02/01	13.0
02/02	11.5
02/03	12.5
02/04	10.5
02/05	10.0
02/06	11.0
02/07	10.0
02/08	12.5
02/09	13.0
02/10	12.5
02/11	
	10.5
02/12	10.0
02/13	11.0
02/14	11.0
02/15	11.5
02/16	9.5
02/17	6.5
02/18	6.0
02/19	9.5
02/20	10.5
02/21	9.0
02/22	8.0
02/23	9.0
02/24	9.0
02/25	8.5
02/26	7.5
02/27	7.5
02/28	9.5
03/01	10.0
	20.0

	Normal
Date	HDD
03/03	12.0
03/04	9.5
03/05	7.0
03/06	6.5
03/07	7.0
03/08	8.0
03/09	5.5
03/10	5.0
03/11	5.5
03/12	5.0
03/13	5.0
03/14	4.5
03/15	5.5
03/16	6.5
03/17	6.5
03/18	6.0
03/19	6.5
03/20	
03/20	4.5 3.5
03/21	3.0
03/22	3.0
03/23	
	3.5
03/25	3.0
03/26	2.5
03/27	3.0
03/28	3.5
03/29	3.5
03/30	2.5
03/31	2.0
04/01	1.5
04/02	2.5
04/03	2.0
04/04	2.5
04/05	3.5
04/06	3.5
04/07	2.5
04/08	1.0
04/09	2.0
04/10	3.0
04/11	4.0
04/12	2.0
04/13	1.5
04/14	0.0
04/15	1.0
04/16	2.5
04/17	2.0
04/18	1.0
04/19	0.5
04/20	0.5
04/21	1.5
04/22	3.0
04/23	2.5
04/24	1.0
04/25	0.0
04/26	0.0
04/27	0.0
04/28	0.5
04/29	0.0
04/29	1.0
U-7/3U	1.0

Note: For actual heating degree day information please contact Southwest Gas Customer Service at (877) 860-6020